

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Lake Township	County Roscommon
Fiscal Year End 3-31-07	Opinion Date 8.30.07	Date Audit Report Submitted to State 9.3.07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

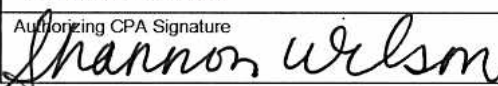
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Y Z

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 61 letter	
Certified Public Accountant (Firm Name) Weinlander Fitzhugh		Telephone Number 989-386-3481	
Street Address 601 Beech Street		City Clare	State MI
		Zip 48617	
Authorizing CPA Signature 		Printed Name Shannon Wilson	License Number 1101027042



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LAKE TOWNSHIP  
ROSCOMMON COUNTY, MICHIGAN

FINANCIAL STATEMENTS  
MARCH 31, 2007

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## INDEPENDENT AUDITORS' REPORT

August 30, 2007

Township Board  
Lake Township  
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lake Township, Roscommon County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the Lake Township as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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# WEINLANDER FITZHUGH

Township Board  
Lake Township  
August 30, 2007  
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as listed in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Township's basic financial statements. The accompanying other supplemental information, as identified in the index, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Weinlander Fitzhugh*

**LAKE TOWNSHIP**  
**Management's Discussion & Analysis**  
**For the Year Ended March 31, 2007**

Our discussion and analysis of Lake Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007.

**Financial Highlights**

State shared revenues accounted for \$92,637 or 35% of the Township's General Fund revenues. In addition, tax collection revenue was \$150,234 or 57% of the Township's General Fund revenues. The General Fund reported an increase in fund balance of \$17,907.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lake Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds – the General Fund, Fire Operating Fund, Trash Collection Fund, Fire Equipment Fund, Road Fund and Sanitary Sewer Fund. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements for the Township's sewer operations. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the Major Governmental Funds (Required Supplemental Information)

Other Supplemental Information

**LAKE TOWNSHIP**  
Management's Discussion & Analysis  
For the Year Ended March 31, 2007

**Reporting the Township as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township is divided into two kinds of activities:

- Governmental Activities – Most of the Township's basic services are reported here, including the fire, streets and general administration. Sales taxes (state shared revenues) and property taxes finance most of these activities.
- Business Type Activities – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's sewer system is reported here.

**Reporting the Township's Most Significant Funds**

*Fund Financial Statements*

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law or by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.



**LAKE TOWNSHIP**  
**Management's Discussion & Analysis**  
**For the Year Ended March 31, 2007**

*Governmental Funds*

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled in the basic financial statements.

*Proprietary Funds*

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements.

These funds present the Township's sewer operations that are managed by the Houghton Lake Sewer Authority and the Township. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the fiscal year ending March 31, 2007.

*Fiduciary Funds*

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

**Government -wide Financial Analysis**

**Financial position** - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2007 and 2006.

**LAKE TOWNSHIP**  
**Management's Discussion & Analysis**  
**For the Year Ended March 31, 2007**

**Exhibit A**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>						
Current and other assets	\$ 698,671	\$ 552,509	\$ 364,747	\$ 402,163	\$ 1,063,418	\$ 954,672
Capital assets-net of accumulated depreciation	407,194	475,826	2,410,654	2,467,324	2,817,848	2,943,150
<b>Total Assets</b>	<u>1,105,865</u>	<u>1,028,335</u>	<u>2,775,401</u>	<u>2,869,487</u>	<u>3,881,266</u>	<u>3,897,822</u>
<b>Liabilities</b>						
Current liabilities	53,828	54,917	0	51,450	53,828	106,367
Noncurrent liabilities	0	35,434	0	0	0	35,434
<b>Total liabilities</b>	<u>53,828</u>	<u>90,351</u>	<u>0</u>	<u>51,450</u>	<u>53,828</u>	<u>141,801</u>
<b>Net Assets</b>						
Invested in capital assets- net of related debt	373,761	408,018	2,410,654	2,467,324	2,784,415	2,875,342
Unrestricted	678,276	530,266	364,747	350,713	1,043,023	880,979
<b>Total net assets</b>	<u>\$ 1,052,037</u>	<u>\$ 938,284</u>	<u>\$ 2,775,401</u>	<u>\$ 2,818,037</u>	<u>\$ 3,827,438</u>	<u>\$ 3,756,321</u>

Exhibit A focuses on net assets. The Township's total net assets were \$3,827,438. Capital assets - net of related debt, totaling \$2,784,415 compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets.

The \$1,043,023 of unrestricted net assets of governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the General, Special Revenue, and Enterprise Funds will have a significant impact on the change in unrestricted assets from year to year.

**Results of operations** - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended March 31, 2007. Exhibit B provides a summary of the Township's operations for 2007 and 2006.

**LAKE TOWNSHIP**  
**Management's Discussion & Analysis**  
**For the Year Ended March 31, 2007**

**Exhibit B**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 106,641	\$ 129,291	\$ 177,670	\$ 282,128	\$ 284,311	\$ 411,419
Grants and contributions	0	45,507	0	0	0	45,507
General revenue:						
Taxes	408,580	322,045	0	0	408,580	322,045
State shared revenue	96,488	95,251	0	0	96,488	95,251
Interest and investment earnings	21,690	12,637	15,666	8,997	37,356	21,634
Other	40,660	6,783	0	0	40,660	6,783
Total revenue	<u>674,059</u>	<u>611,514</u>	<u>193,336</u>	<u>291,125</u>	<u>867,395</u>	<u>902,639</u>
<b>Function/Program Expenses</b>						
General government	227,287	212,451	0	0	227,287	212,451
Public safety	157,160	166,098	0	0	157,160	166,098
Public services	99,391	83,322	0	0	99,391	83,322
Highways and streets	54,661	29,517	0	0	54,661	29,517
Community development	21,807	18,522	0	0	21,807	18,522
Sewer	0	0	235,972	273,121	235,972	273,121
Total expenses	<u>560,306</u>	<u>509,910</u>	<u>235,972</u>	<u>273,121</u>	<u>796,278</u>	<u>783,031</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 113,753</u>	<u>\$ 101,604</u>	<u>\$ (42,636)</u>	<u>\$ 18,004</u>	<u>\$ 71,117</u>	<u>\$ 119,608</u>

**LAKE TOWNSHIP**  
**Management's Discussion & Analysis**  
**For the Year Ended March 31, 2007**

As reported in the statement of activities, the cost of all of our *Governmental and Business-Type Activities* was \$796,278. Certain activities were partially funded by \$284,311 from those who benefited from the programs or by the other Townships and organizations. We paid for the remaining "public benefit" portion of our governmental and business-type activities with \$408,580 in taxes, \$96,488 in state shared revenue and with our other revenues, such as interest and miscellaneous revenues.

The governmental activities net assets experienced an increase of \$113,753 resulting from an increase in interest earned due to additional funds deposited. In addition, there was an increase in taxes and special assessments received from the previous year. The Township also had an increase in other income due to an insurance reimbursement for damages to the fire hall. The reimbursement was offset by the costs of the repairs. The Township had additional road construction projects in 2007 for West Shore Drive improvements.

The sewer fund experienced a decrease of \$42,636 resulting from the Township paying additional expenses related to the sewer, but did not receive the revenue generated from the activities of the sewer. The Township is in the process of turning over responsibility of the sewer to the Houghton Lake Sewer Authority, and as such the revenue earned from the sewer activities remained with the Houghton Lake Sewer Authority.

**The Township's Funds**

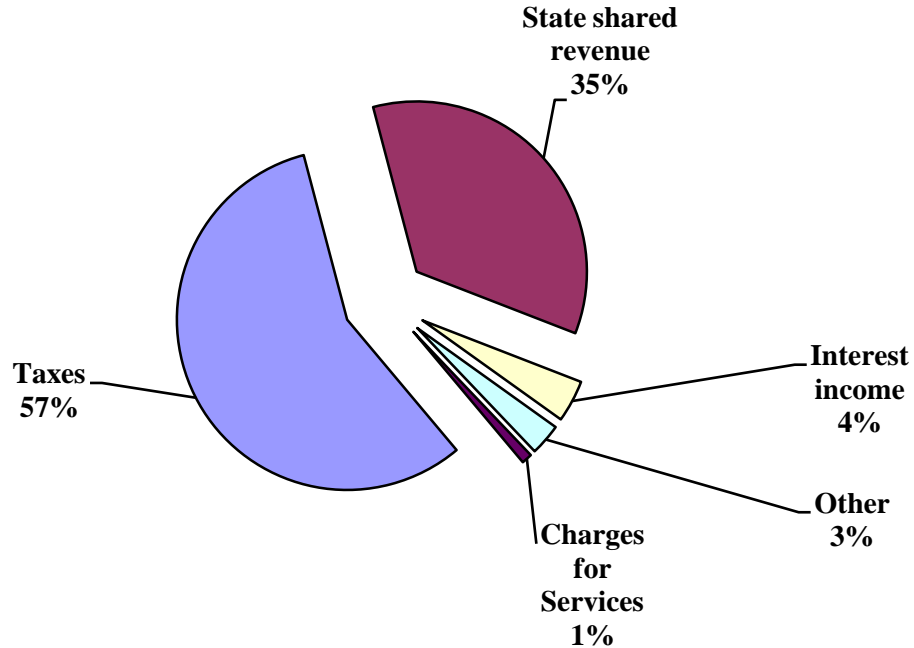
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$678,276, which is an increase from last year's total of \$541,405. The schedule below details the fund balance and the total change in fund balances as of March 31, 2007.

	<u>Fund Balance</u> <u>March 31, 2007</u>	<u>Fund Balance</u> <u>March 31, 2006</u>	<u>Increase</u> <u>(Decrease)</u>
General Fund	\$ 299,429	\$ 281,522	\$ 17,907
Special Revenue Funds:			
Fire Operating Fund	104,165	61,340	42,825
Trash Collection Fund	71,564	63,914	7,650
Fire Equipment Fund	35,169	17,081	18,088
Road Fund	127,567	95,789	31,778
Other Special Revenue Funds	40,382	21,759	18,623
Total	<u>\$ 678,276</u>	<u>\$ 541,405</u>	<u>\$ 136,871</u>

**LAKE TOWNSHIP**  
**Management's Discussion & Analysis**  
**For the Year Ended March 31, 2007**

The graph below details the major sources of the Township's General Fund revenues.



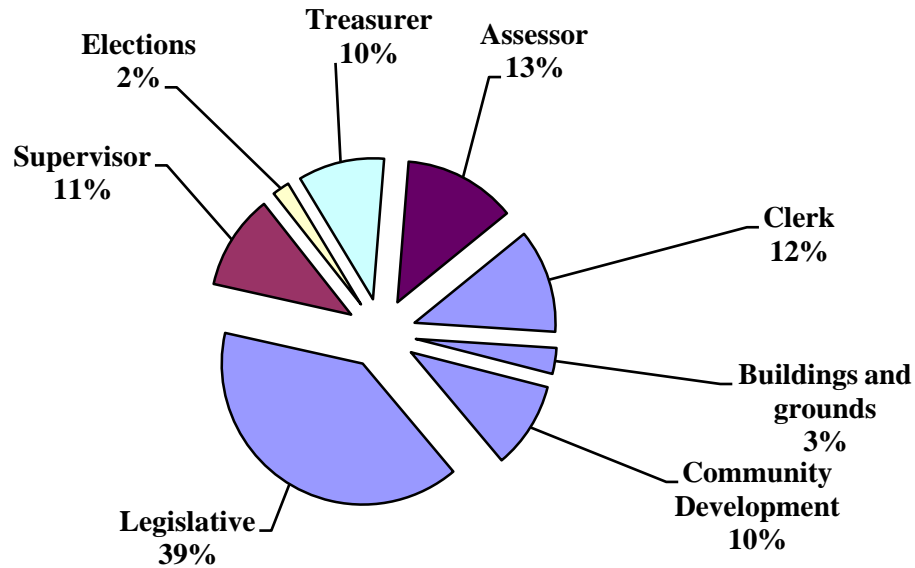
The chart below compares current year revenues with last year.

	2007	2006
<i>Revenues by Function</i>		
Taxes	\$ 150,234	\$ 100,344
State shared revenue	92,637	95,251
Charges for services	1,437	41,731
Interest income	11,159	6,745
Other	8,446	42,295
<b>Total</b>	<b>\$ 263,913</b>	<b>\$ 286,366</b>

Overall, 2007 revenues decreased \$22,453 or 8% from 2006 mainly due to a decrease in charges for services and other income. The decreases were offset by an increase in property tax revenue.

**LAKE TOWNSHIP**  
Management's Discussion & Analysis  
For the Year Ended March 31, 2007

The graph below details the General Fund expenditure categories of the Township.



The chart below compares current year expenditures with last year.

	2007	2006
<i>Expenditures by Function</i>		
General government:		
Legislative	\$ 88,037	\$ 126,503
Supervisor	23,356	20,831
Elections	4,230	2,343
Treasurer	22,609	20,330
Assessor	28,473	30,431
Clerk	27,631	22,786
Buildings and grounds	5,930	6,425
Community development	21,807	18,522
Total	<u>\$ 222,073</u>	<u>\$ 248,171</u>

**LAKE TOWNSHIP**  
**Management's Discussion & Analysis**  
**For the Year Ended March 31, 2007**

Expenditures decreased by \$26,098 or 10% from 2006 mainly do to the purchase of a van and other equipment in 2006.

**Sewer System Fund** -The Township's Proprietary fund (Sewer Enterprise Fund) reported net assets of \$2,775,401, which is a decrease of \$42,636 over last year's net assets of \$2,818,037. The decrease was due to the process of transferring over the responsibility of the sewer to the Houghton Lake Sewer Authority (Authority) the Township made an additional payment to the Authority without receiving the corresponding quarterly revenues..

**General Fund Budgetary Highlights**

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

- There were no changes to the General Fund revenue original budget during the year
- The General Fund expenditure original budget was adjusted by \$7,500 for transfers to other funds. The expenditures were also adjusted for a slight increase in general government expenses.
- Actual revenues for the year were \$16,957 greater than anticipated. This was mostly a result of the increase in interest income due to the additional amount of funds deposited, an increase in tax collections and in other income.
- Actual expenditures for the year were \$9,953 less than anticipated, which was due to Township Hall not using as much funding for repairs and maintenance and utilities as originally budgeted.

**LAKE TOWNSHIP**  
**Management's Discussion & Analysis**  
**For the Year Ended March 31, 2007**

**Capital Assets**

At March 31, 2007, the Township had \$2.8 million invested in a broad range of capital assets, including land, buildings, equipment and sewer systems.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 15,938	\$ 15,938	\$ 0	\$ 0	\$ 15,938	\$ 15,938
Buildings and improvements	358,940	358,940	0	0	358,940	358,940
Cemetery	1,864	1,864	0	0	1,864	1,864
Fire Department	522,563	522,563	0	0	522,563	522,563
Vehicles	399,650	399,650	0	0	399,650	399,650
Equipment	44,353	44,353	0	0	44,353	44,353
Sewer system	0	0	4,250,253	4,250,253	4,250,253	4,250,253
 Total capital assets	 1,343,308	 1,343,308	 4,250,253	 4,250,253	 5,593,561	 5,593,561
 Less accumulated depreciation	 936,114	 867,482	 1,839,599	 1,782,929	 2,775,713	 2,650,411
 Net capital assets	 <u>\$ 407,194</u>	 <u>\$ 475,826</u>	 <u>\$ 2,410,654</u>	 <u>\$ 2,467,324</u>	 <u>\$ 2,817,848</u>	 <u>\$ 2,943,150</u>

The Township added no fixed assets during the year.

We present more detailed information about our governmental activities capital assets in the notes to the financial statements.

Capital additions to our governmental and business-type activities for next year have not been determined.



**LAKE TOWNSHIP**  
Management's Discussion & Analysis  
For the Year Ended March 31, 2007

**Debt**

At the end of this year, the Township had long-term debt outstanding of \$33,433 versus \$68,708 in the previous year. The Township's debt is related to a truck for the fire department. This debt is summarized as follows:

	<u>2007</u>	<u>2006</u>
Installment purchase	<u>\$ 33,433</u>	<u>\$ 68,708</u>

**Factors Expected to Have an Effect on Future Operations**

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

**Contacting The Township's Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's office at 13285 West Shore Drive, Houghton Lake, Michigan, 48629.

LAKE TOWNSHIP  
Statement of Net Assets  
March 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and investments	\$ 638,008	\$ 354,799	\$ 992,807
Receivables:			
Accounts receivable	4,771	0	4,771
Taxes and assessments	38,793	0	38,793
Delinquent assessments	0	9,948	9,948
Due from other governments	15,819	0	15,819
Due from other funds	1,280	0	1,280
Capital assets less accumulated depreciation	407,194	2,410,654	2,817,848
Total Assets	1,105,865	2,775,401	3,881,266
<u>Liabilities</u>			
Accounts payable	20,395	0	20,395
Noncurrent liabilities:			
Due within one year	33,433	0	33,433
Total Liabilities	53,828	0	53,828
<u>Net Assets</u>			
Investment in capital assets - net of related debt	373,761	2,410,654	2,784,415
Unrestricted	680,276	364,747	1,045,023
Total Net Assets	\$ 1,054,037	\$ 2,775,401	\$ 3,829,438

See accompanying notes to financial statements

**LAKE TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended March 31, 2007**

			Net (Expenses) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
<u>Functions/Programs</u>					
Primary government:					
General government	\$ 227,287	\$ 1,437	\$ (225,850)	\$ 0	\$ (225,850)
Public safety	155,160	0	(155,160)	0	(155,160)
Public services	99,391	105,204	5,813	0	5,813
Highways and streets	54,661	0	(54,661)	0	(54,661)
Community development	21,807	0	(21,807)	0	(21,807)
Total governmental activities	558,306	106,641	(451,665)	0	(451,665)
Business-type activities:					
Sewer	235,972	177,670	0	(58,302)	(58,302)
Total primary government	<u>\$ 794,278</u>	<u>\$ 284,311</u>	<u>(451,665)</u>	<u>(58,302)</u>	<u>(509,967)</u>
General Revenues:					
Taxes			408,580	0	408,580
State shared revenue			96,488	0	96,488
Interest income			21,690	15,666	37,356
Other			40,660	0	40,660
Total general revenues			567,418	15,666	583,084
Change in net assets			115,753	(42,636)	73,117
Net assets - beginning of year			938,284	2,818,037	3,756,321
Net assets - end of year			\$ 1,054,037	\$ 2,775,401	\$ 3,829,438

See accompanying notes to financial statements.

LAKE TOWNSHIP  
Governmental Funds  
Balance Sheet  
March 31, 2007

	General Fund	Fire Operating Fund	Trash Collection Fund	Fire Equipment Fund	Road Fund	Other Governmental Funds	Total
<u>Assets</u>							
Cash and investments	\$ 277,440	\$ 97,129	\$ 70,573	\$ 30,539	\$ 122,796	\$ 39,531	\$ 638,008
Receivables:							
Accounts receivable	0	0	0	0	4,771	0	4,771
Taxes and assessments	11,519	9,872	9,438	4,630	0	3,334	38,793
Due from other governments	15,819	0	0	0	0	0	15,819
Due from other funds	1,280	0	0	0	0	0	1,280
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 306,058</u>	<u>\$ 107,001</u>	<u>\$ 80,011</u>	<u>\$ 35,169</u>	<u>\$ 127,567</u>	<u>\$ 42,865</u>	<u>\$ 698,671</u>
<u>Liabilities and Fund Balance</u>							
<u>Current Liabilities</u>							
Accounts payable	\$ 6,629	\$ 2,836	\$ 8,447	\$ 0	\$ 0	\$ 2,483	\$ 20,395
<u>Fund Balance</u>							
Unrestricted	<u>299,429</u>	<u>104,165</u>	<u>71,564</u>	<u>35,169</u>	<u>127,567</u>	<u>40,382</u>	<u>678,276</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balance	<u>\$ 306,058</u>	<u>\$ 107,001</u>	<u>\$ 80,011</u>	<u>\$ 35,169</u>	<u>\$ 127,567</u>	<u>\$ 42,865</u>	<u>\$ 698,671</u>

See accompanying notes to financial statements

LAKE TOWNSHIP  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
March 31, 2007

Total fund balance-governmental funds	\$ 678,276
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	\$ 1,343,308	
Less accumulated depreciation	<u>(936,114)</u>	407,194

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Installment purchase payable	(33,433)
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Total net assets-governmental activities	<u><u>\$ 1,052,037</u></u>
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See accompanying notes to financial statements

LAKE TOWNSHIP  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended March 31, 2007

	General Fund	Fire Operating Fund	Trash Collection Fund	Fire Equipment Fund	Road Fund	Other Governmental Funds	Total
<u>Revenues</u>							
Taxes	\$ 150,234	\$ 112,789	\$ 0	\$ 53,054	\$ 54,666	\$ 37,837	\$ 408,580
Special assessments	0	0	105,204	0	0	0	105,204
State shared revenue	92,637	0	0	0	0	3,851	96,488
Charges for services	1,437	0	0	0	0	0	1,437
Interest income	11,159	1,780	1,837	1,071	4,722	1,121	21,690
Other	8,446	24,709	0	0	0	7,505	40,660
Total revenues	<u>263,913</u>	<u>139,278</u>	<u>107,041</u>	<u>54,125</u>	<u>59,388</u>	<u>50,314</u>	<u>674,059</u>
<u>Expenditures</u>							
General government	200,266	0	0	0	0	7,381	207,647
Public safety	0	111,073	0	1,510	0	6,572	119,155
Public services	0	0	99,391	0	0	0	99,391
Highways and streets	0	0	0	0	27,610	27,051	54,661
Community development	21,807	0	0	0	0	0	21,807
Debt service:							
Principal	0	0	0	34,375	0	0	34,375
Interest	0	0	0	152	0	0	152
Total expenditures	<u>222,073</u>	<u>111,073</u>	<u>99,391</u>	<u>36,037</u>	<u>27,610</u>	<u>41,004</u>	<u>537,188</u>
Excess of revenues over expenditures	<u>41,840</u>	<u>28,205</u>	<u>7,650</u>	<u>18,088</u>	<u>31,778</u>	<u>9,310</u>	<u>136,871</u>
<u>Other financing sources (uses)</u>							
Operating transfers in from other funds	0	14,620	0	0	0	9,313	23,933
Operating transfers out to other funds	(23,933)	0	0	0	0	0	(23,933)
Total other financing sources (uses)	<u>(23,933)</u>	<u>14,620</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,313</u>	<u>0</u>
Net change in fund balance	17,907	42,825	7,650	18,088	31,778	18,623	136,871
Fund Balance - beginning of year	281,522	61,340	63,914	17,081	95,789	21,759	541,405
Fund Balance - end of year	<u>\$ 299,429</u>	<u>\$ 104,165</u>	<u>\$ 71,564</u>	<u>\$ 35,169</u>	<u>\$ 127,567</u>	<u>\$ 40,382</u>	<u>\$ 678,276</u>

See accompanying notes to financial statements

LAKE TOWNSHIP  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended March 31, 2007

Net change in fund balances-governmental funds	\$ 136,871
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Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays to purchase or build capital assets are reported  
in governmental funds as expenditures. However, for governmental  
activities those costs are shown in the statement of net assets  
and allocated over their estimated useful lives as annual depreciation  
expenses in the statement of activities.

Depreciation expense	(68,632)
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Certain liabilities were recorded in last year's government wide financial  
statements to account for the full accrual, but were recorded in fund  
statements in the current year

Accrued salaries	11,139
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Repayment of loan principal is an expenditure in the governmental funds,  
but it reduces long-term liabilities in the statement of net assets and does  
not affect the statement of activities

	34,375
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Change in net assets of governmental activities	<u>\$ 113,753</u>
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See accompanying notes to financial statements

LAKE TOWNSHIP  
Proprietary Fund  
Statement of Net Assets  
March 31, 2007

<u>Assets</u>	<u>Sewer Fund</u>
Cash and investments	\$ 354,799
Delinquent assessments receivable	9,948
Capital assets, net of accumulated depreciation	<u>2,410,654</u>
Total Assets	<u>\$ 2,775,401</u>
<u>Net Assets</u>	
Net Assets:	
Investment in capital assets	\$ 2,410,654
Unrestricted	<u>364,747</u>
Total Net Assets	<u>\$ 2,775,401</u>

See accompanying notes to financial statements



LAKE TOWNSHIP  
Proprietary Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended March 31, 2007

	<u>Sewer Fund</u>
<u>Operating Revenues</u>	
Charges for services	<u>\$ 177,670</u>
<u>Operating Expenses</u>	
Houghton Lake Sewer Authority shared expenses	179,302
Depreciation	<u>56,670</u>
Total operating expenses	<u>235,972</u>
Operating (loss)	(58,302)
<u>Non-operating Revenue</u>	
Interest income	<u>15,666</u>
Change in net assets	(42,636)
Net assets - beginning of year	<u>2,818,037</u>
Net assets - end of year	<u><u>\$ 2,775,401</u></u>

See accompanying notes to financial statements

LAKE TOWNSHIP  
Proprietary Fund  
Statement of Cash Flows  
Year Ended March 31, 2007

	<u>Sewer Fund</u>
<u>Cash flows from operating activities</u>	
Cash received from customers	\$ 188,542
Cash payments to Sewer Authority	<u>(179,302)</u>
Net cash provided by operating activities	9,240
 <u>Cash flows from investing activities</u>	
Interest income	<u>15,666</u>
Net increase in cash	24,906
Cash - beginning of year	329,893
Cash - ending of year	<u><u>\$ 354,799</u></u>

See accompanying notes to financial statements

LAKE TOWNSHIP  
Fiduciary Fund  
Statement of Net Assets  
March 31, 2007

Agency Fund Type  
(Property Tax  
Collection Fund)  

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Assets

Cash

\$ 2,120  

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Liabilities

Due to other funds

\$ 1,280

Due to other governmental units

840  

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Total Liabilities

\$ 2,120  

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See accompanying notes to financial statements

**LAKE TOWNSHIP**  
**Notes to Financial Statements**  
**For the Year Ended March 31, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Lake Township conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Lake Township:

**Reporting Entity**

The Lake Township (Township) was organized in 1879 - located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including liquor law enforcement, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Lake Township.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The nonmajor funds are presented in a single column in the fund financial statements and are detailed in the other supplemental information.

LAKE TOWNSHIP  
Notes to the Financial Statements  
For the Year Ended March 31, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

LAKE TOWNSHIP  
Notes to the Financial Statements  
For the Year Ended March 31, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

The Township reports the following major governmental funds:

**General Fund** - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

**Fire Operating Fund**-The Fire Operating Fund accounts for all general operations of the fire department.

**Trash Collection Fund**-The Trash Collection Fund accounts for the trash collection program in the Township.

**Fire Equipment Fund**- The Fire Equipment Fund accounts for the funds used to purchase equipment for the fire department.

**Road Fund**-The Road Fund accounts for repairs and maintenance for the Township roads.

The Township reports the following major proprietary fund:

**Sewer Fund**-The Sewer Fund accounts for the revenue and expenses of operating the Township's sewer collection system.

**Assets, Liabilities, and Net Assets or Equity**

Cash and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on February 14th of the following year, at which time penalties and interest are assessed.

LAKE TOWNSHIP  
Notes to the Financial Statements  
For the Year Ended March 31, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

Capital Assets – Capital assets, which include land, buildings, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, vehicles, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-40 years
Equipment	3-12 years
Sewer lines and equipment	25-50 years
Vehicles	5-7 years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**LAKE TOWNSHIP**  
**Notes to the Financial Statements**  
**For the Year Ended March 31, 2007**

**NOTE 2 – BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Each Township department head submits to the supervisor an itemized estimate of the anticipated expenditures of the Township for the next fiscal year for the Township activities under his or her charge. The supervisor shall prepare a complete itemized proposed budget for the next fiscal year and submit it to the Township Board. A public hearing on the budget is to be held before its final adoption, at such time and place as the Township Board directs, and notice of such public hearing is to be published at least one week in advance by the Township Clerk.

A copy of the proposed budget shall be on file and available to the public for inspection during office hours at the office of the Township Clerk for a period of not less than one week prior to such public hearing. Then no later than March the Township Board shall, by resolution, adopt the budget for the next fiscal year and shall, in that resolution, make an appropriation of money needed for Township purposes during the ensuing fiscal year of the Township. Budgets are adopted at the fund level.

A comparison of actual results of operations to the budgeted amounts for the General Fund, Fire Operating Fund, Trash Collection Fund, Fire Equipment Fund and the Road Fund is presented as Required Supplemental Information.

During the year ended March 31, 2007, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund:			
Community development	\$ 20,950	\$ 21,807	\$ (857)
Transfers out	7,500	23,933	(16,433)
Special Revenue Funds:			
Fire Operating Fund	109,248	111,073	(1,825)
Trash Collection Fund	83,000	99,391	(16,391)
Fire Equipment Fund	34,595	36,037	(1,442)



LAKE TOWNSHIP  
Notes to the Financial Statements  
For the Year Ended March 31, 2007

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	<u>\$ 638,008</u>	<u>\$ 354,799</u>	<u>\$ 2,120</u>	<u>\$ 994,927</u>

The breakdown between deposits and investments is as follows:

Deposits (checking and savings accounts, certificates of deposit)	<u>\$ 994,927</u>
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Custodial credit risk-Deposits

In the case of deposits, this is the risk in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$794,980 of the Township's bank balance of \$994,980, was exposed to custodial credit risk because it was uninsured and collateralized.

The Township's investment policy does not identify interest rate risk, foreign currency risk, and concentration credit risk.

**LAKE TOWNSHIP**  
**Notes to the Financial Statements**  
**For the Year Ended March 31, 2007**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

	Beginning Balance	A dditions	Disposals and A djustments	Ending Balance
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated				
Land	\$ 15,938	\$ 0	\$ 0	\$ 15,938
Capital assets being depreciated:				
Buildings and improvements	358,940	0	0	358,940
Cem etery	1,864	0	0	1,864
Fire departm ent	522,563	0	0	522,563
Vehicles	399,650	0	0	399,650
Equipment	44,353	0	0	44,353
Subtotal	1,327,370	0	0	1,327,370
Less accumulated depreciation for:				
Buildings and improvements	236,342	11,076	0	247,418
Cem etery	1,710	43	0	1,753
Fire departm ent	306,856	37,854	0	344,710
Vehicles	282,764	16,945	0	299,709
Equipment	39,810	2,714	0	42,524
Subtotal	867,482	68,632	0	936,114
Net capital assets being depreciated	459,888	(68,632)	0	391,256
Governmental activities, total capital assets - net of depreciation	<u>\$ 475,826</u>	<u>\$ (68,632)</u>	<u>\$ 0</u>	<u>\$ 407,194</u>
<b><u>Business-type activities:</u></b>				
Capital assets being depreciated:				
Sewer system	\$ 4,250,253	\$ 0	\$ 0	\$ 4,250,253
Less accumulated depreciation for:				
Sewer system	1,782,929	56,670	0	1,839,599
Business-type activities, total capital assets, net of depreciation	<u>\$ 2,467,324</u>	<u>\$ (56,670)</u>	<u>\$ 0</u>	<u>\$ 2,410,654</u>

**LAKE TOWNSHIP**  
**Notes to the Financial Statements**  
**For the Year Ended March 31, 2007**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 30,778
Public safety	<u>37,854</u>

Total governmental activities depreciation expense	<u><u>\$ 68,632</u></u>
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Business-type activities:

Sewer	<u><u>\$ 56,670</u></u>
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**NOTE 5 – INTERFUND TRANSFERS**

A summary of inter-fund transfers made during the year ended March 31, 2007 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,280	\$ 0	\$ 0	\$ 23,933
Fire Operating Fund	0	0	14,620	0
Street Light Fund	0	0	1,813	0
Cemetery	0	0	7,500	0
Property Tax Collection Fund	<u>0</u>	<u>1,280</u>	<u>0</u>	<u>0</u>
	<u><u>\$ 1,280</u></u>	<u><u>\$ 1,280</u></u>	<u><u>\$ 23,933</u></u>	<u><u>\$ 23,933</u></u>

The General Fund transferred \$14,620 to the Fire Operating Fund, \$1,813 to the Street Light Fund and \$7,500 to the Cemetery. All transfers were done to cover operational costs.

The Property Tax Collection Fund has recorded a due to the General Fund in the amount of \$1,280 as of March 31, 2007. The payable represents untransferred interest income.

**LAKE TOWNSHIP**  
**Notes to the Financial Statements**  
**For the Year Ended March 31, 2007**

**NOTE 6 – PENSION PLAN**

The Township provides pension benefits to certain qualified employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15% percent of employees' gross earnings and employee contributions for each employee plus interest allocated to the employee's account are immediately fully vested.

The Township's total payroll during the current year was \$139,963. The current year contribution was calculated based on covered payroll of \$61,333, resulting in an employer contribution of \$9,200.

**NOTE 7 – RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>Sewer Fund</u>
Operating (loss)	\$ (58,302)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	56,670
Changes in operating assets and liabilities:	
Accounts receivable	62,322
Accounts payable	<u>(51,450)</u>
Net cash provided by operating activities	<u><u>\$ 9,240</u></u>

**LAKE TOWNSHIP**  
**Notes to the Financial Statements**  
**For the Year Ended March 31, 2007**

**NOTE 8 - RISK MANAGEMENT**

Lake Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Lake Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with Lake Township.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

**LAKE TOWNSHIP**  
**Notes to Financial Statements**  
**For the Year Ended March 31, 2007**

**NOTE 9 - HOUGHTON LAKE SEWER AUTHORITY**

The Townships of Roscommon, Denton and Lake (Roscommon County) formed the Houghton Lake Sewer Authority in 1973 for the purpose of operating, maintaining, administering, and managing a sanitary sewage facility for the benefit of the aforementioned three townships and for any other township municipality which hereafter joins in and becomes a part of such sewer and the related agreement all for the betterment of the health, safety, economy and general welfare of the participating municipalities.

Ownership of the public sanitary sewer system will remain with the Roscommon County Department of Public Works until all outstanding bonds issued by said department of the County of Roscommon (pertaining to the system) have be retired. Thereafter, all portions of the system shall become the property of the respective municipalities. The system is to be operated for the benefit of said participating municipalities both jointly and severally.

**NOTE 10 - LONG TERM DEBT**

Long-term debt obligation activity can be summarized as follows:

	Balance April 1, 2006	Additions	Retirements and Adjustments	Balance March 31, 2007	Amount Due Within One Year
Installment purchase agreements	\$ 67,808	\$ 0	\$ 34,375	\$ 33,433	\$ 33,433

Lake Township entered into an installment purchase agreement on February 26, 2003, in the amount of \$156,909 at an interest rate of 6.27% for five years. The installment purchase agreement was used to purchase 2003 Quick Attack SST tanker.

## REQUIRED SUPPLEMENTAL INFORMATION

LAKE TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 143,911	\$ 143,911	\$ 150,234	\$ 6,323
State shared revenue	95,145	95,145	92,637	(2,508)
Charges for services	500	500	1,437	937
Interest income	4,000	4,000	11,159	7,159
Other	3,400	3,400	8,446	5,046
Total revenues	<u>246,956</u>	<u>246,956</u>	<u>263,913</u>	<u>16,957</u>
<u>Expenditures</u>				
General government	209,076	211,076	200,266	10,810
Community development	<u>20,950</u>	<u>20,950</u>	<u>21,807</u>	<u>(857)</u>
Total expenditures	<u>230,026</u>	<u>232,026</u>	<u>222,073</u>	<u>9,953</u>
Excess of revenues over expenditures	16,930	14,930	41,840	26,910
<u>Other financing (uses)</u>				
Transfers out	<u>0</u>	<u>(7,500)</u>	<u>(23,933)</u>	<u>(16,433)</u>
Excess of revenues over expenditures and other financing uses	16,930	7,430	17,907	10,477
Fund balance - beginning of year	<u>281,522</u>	<u>281,522</u>	<u>281,522</u>	<u>0</u>
Fund balance - end of year	<u>\$ 298,452</u>	<u>\$ 288,952</u>	<u>\$ 299,429</u>	<u>\$ 10,477</u>



LAKE TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule - Fire Operating Fund  
For the Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 100,780	\$ 100,780	\$ 112,789	\$ 12,009
Interest income	1,000	1,000	1,780	780
Other	0	0	24,709	24,709
Total revenues	<u>101,780</u>	<u>101,780</u>	<u>139,278</u>	<u>37,498</u>
<u>Expenditures</u>				
Public safety	<u>99,178</u>	<u>109,248</u>	<u>111,073</u>	<u>(1,825)</u>
Excess (deficiency) of revenues over expenditures	2,602	(7,468)	28,205	35,673
<u>Other financing sources</u>				
Transfers in	<u>0</u>	<u>0</u>	<u>14,620</u>	<u>14,620</u>
Excess (deficiency) of revenues and other financing sources over expenditures	2,602	(7,468)	42,825	50,293
Fund balance - beginning of year	<u>61,340</u>	<u>61,340</u>	<u>61,340</u>	<u>0</u>
Fund balance - end of year	<u>\$ 63,942</u>	<u>\$ 53,872</u>	<u>\$ 104,165</u>	<u>\$ 50,293</u>

LAKE TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule - Trash Collection Fund  
For the Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Special assessments	\$ 87,560	\$ 87,560	\$ 105,204	\$ 17,644
Interest income	600	600	1,837	1,237
Total revenues	<u>88,160</u>	<u>88,160</u>	<u>107,041</u>	<u>18,881</u>
<u>Expenditures</u>				
Public services	<u>83,000</u>	<u>83,000</u>	<u>99,391</u>	<u>(16,391)</u>
Excess of revenues over expenditures	5,160	5,160	7,650	2,490
Fund balance - beginning of year	<u>63,914</u>	<u>63,914</u>	<u>63,914</u>	<u>0</u>
Fund balance - end of year	<u>\$ 69,074</u>	<u>\$ 69,074</u>	<u>\$ 71,564</u>	<u>\$ 2,490</u>

LAKE TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule - Fire Equipment Fund  
For the Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 51,805	\$ 51,805	\$ 53,054	\$ 1,249
Interest income	200	200	1,071	871
Total revenues	<u>52,005</u>	<u>52,005</u>	<u>54,125</u>	<u>2,120</u>
<u>Expenditures</u>				
Public safety	0	0	1,510	(1,510)
Debt service	<u>34,595</u>	<u>34,595</u>	<u>34,527</u>	<u>68</u>
Total expenditures	<u>34,595</u>	<u>34,595</u>	<u>36,037</u>	<u>(1,442)</u>
Excess of revenues over expenditures	17,410	17,410	18,088	678
Fund balance - beginning of year	<u>17,081</u>	<u>17,081</u>	<u>17,081</u>	<u>0</u>
Fund balance - end of year	<u>\$ 34,491</u>	<u>\$ 34,491</u>	<u>\$ 35,169</u>	<u>\$ 678</u>

LAKE TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule - Road Fund  
For the Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 53,357	\$ 53,357	\$ 54,666	\$ 1,309
Interest income	1,100	1,100	4,722	3,622
Total revenues	<u>54,457</u>	<u>54,457</u>	<u>59,388</u>	<u>4,931</u>
<u>Expenditures</u>				
Highways and streets	<u>44,632</u>	<u>44,632</u>	<u>27,610</u>	<u>17,022</u>
Excess of revenues over expenditures	9,825	9,825	31,778	21,953
Fund balance - beginning of year	<u>95,789</u>	<u>95,789</u>	<u>95,789</u>	<u>0</u>
Fund balance - end of year	<u>\$ 105,614</u>	<u>\$ 105,614</u>	<u>\$ 127,567</u>	<u>\$ 21,953</u>

## OTHER SUPPLEMENTAL INFORMATION

LAKE TOWNSHIP  
Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2007

	<u>Fire Raised Money Fund</u>	<u>Liquor Law Enforcement Fund</u>	<u>Cemetery Fund</u>	<u>Street Light Fund</u>	<u>Totals</u>
<u>Assets</u>					
Cash and investments	\$ 2,705	\$ 0	\$ 12,515	\$ 24,311	\$ 39,531
Taxes receivable	<u>0</u>	<u>0</u>	<u>989</u>	<u>2,345</u>	<u>3,334</u>
Total Assets	<u><u>\$ 2,705</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 13,504</u></u>	<u><u>\$ 26,656</u></u>	<u><u>\$ 42,865</u></u>
 <u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 0	\$ 0	\$ 127	\$ 2,356	\$ 2,483
 <u>Fund Balance</u>					
Unreserved	<u>2,705</u>	<u>0</u>	<u>13,377</u>	<u>24,300</u>	<u>40,382</u>
	<u><u>\$ 2,705</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 13,504</u></u>	<u><u>\$ 26,656</u></u>	<u><u>\$ 42,865</u></u>

LAKE TOWNSHIP  
Other Supplemental Information  
Combining Statement of Revenues, Expenditures and Changes  
in Fund Balance - Nonmajor Governmental Funds  
For the Year Ended March 31, 2007

	Fire Raised Money Fund	Liquor Law Enforcement Fund	Cemetery Fund	Street Light Fund	Totals
<u>Revenues</u>					
Taxes	\$ 0	\$ 0	\$ 10,961	\$ 26,876	\$ 37,837
State shared revenue	0	3,851	0	0	3,851
Interest income	15	0	356	750	1,121
Other	3,970	0	1,915	1,620	7,505
Total revenues	3,985	3,851	13,232	29,246	50,314
<u>Expenditures</u>					
General government	0	0	7,381	0	7,381
Public safety	2,897	3,675	0	0	6,572
Highways and streets	0	0	0	27,051	27,051
Total expenditures	2,897	3,675	7,381	27,051	41,004
Excess of revenues over expenditures	1,088	176	5,851	2,195	9,310
<u>Other Financing Sources</u>					
Transfers in	0	0	7,500	1,813	9,313
Excess of revenues and other financing sources over expenditures	1,088	176	13,351	4,008	18,623
Fund balance - beginning of year	1,617	(176)	26	20,292	21,759
Fund balance - end of year	\$ 2,705	\$ 0	\$ 13,377	\$ 24,300	\$ 40,382



# WEINLANDER FITZHUGH

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& CONSULTANTS

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ROBERT J. DUYCK, CPA

August 30, 2007

Township Board  
Lake Township  
Roscommon County, Michigan

In planning and performing our audit of the financial statements of Lake Township (Township) as of and for the year ended March 31, 2007, in accordance with U.S. generally accepted auditing standards. We considered Lake Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

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# WEINLANDER FITZHUGH

Township Board  
Lake Township  
August 30, 2007  
Page 2

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiencies to be material weaknesses:

## **Financial Reporting**

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of Lake Township's internal controls. In taking this required position, we must consider whether the Township has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor intervention.

The Township uses accounting software as a management tool to monitor the financial status of the Township, to facilitate the preparation and amendment of budgets and to compare budgeted amounts to actual results. In addition, the Township demonstrates the ability to report fund level activities, monitor fiduciary fund activities (including tax collections and disbursements) and report on certain fund level note disclosures. Due to the complexity of the required government wide financial statements, proprietary fund statements and related note disclosures in accordance with GASB 34, the Township does not maintain personnel who can properly report in accordance with U.S. generally accepted accounting principles without auditor intervention.

The preceding comments are not intended to reflect on the performance or capability of any employee.

This report is intended solely for the information and use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

*Weinlander Fitzhugh*



# WEINLANDER FITZHUGH

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August 30, 2007

Township Board  
Lake Township  
Roscommon County, Michigan

This letter is intended to inform the Township Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Township Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

## **The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards**

Our audit of the financial statements of the Lake Township for the year ended March 31, 2007 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

## **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

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# WEINLANDER FITZHUGH

Township Board  
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August 30, 2007  
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## **Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments were not significant.

## **Accounting Policies and Alternative Treatments**

Management and the Township Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Township. The significant accounting policies adopted by the Township are described in Footnote 1 to the financial statements.

## **Disagreements with Management**

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

## **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

## **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.



# WEINLANDER FITZHUGH

Township Board  
Lake Township  
August 30, 2007  
Page 3

## **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

## **Other Matters**

### **Risk Based Auditing Standards**

In early 2006, the AICPA's Auditing Standards Board (ASB) issued eight Statements on Auditing Standards (SAS) relating to the assessment of risk and performance of procedures in an audit of financial statements:

- SAS No. 104, Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures.
- SAS No. 105, Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards
- SAS No. 106, Audit Evidence
- SAS No. 107, Audit Risk and Materiality in Conducting an Audit
- SAS No. 108, Planning and Supervision
- SAS No. 109, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
- SAS No. 110, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained
- SAS No. 111, Amendment to Statement on Auditing Standards No. 39, Audit Sampling



# WEINLANDER FITZHUGH

Lake Township  
August 30, 2007  
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These Statements establish standards and provide guidance concerning the auditor's assessment of the risks of material misstatement (whether caused by error or fraud) in a financial statement audit, and the design and performance of audit procedures whose nature, timing and extent are responsive to the assessed risks. Additionally, the Statements establish standards and provide guidance on planning and supervision, the nature of audit evidence, and evaluating whether the Township Board audit evidence obtained affords a reasonable basis for an opinion regarding the financial statements under audit.

Because these new standards demand a higher level of performance, there will be mandatory changes to the way we perform audits commencing with audit periods ending March 31, 2008. The new standards require us to perform more extensive procedures than in the past, resulting in an additional time commitment from both your personnel and our audit team.

## Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Lake Township.

This report is intended solely for the information and use of the Township Board, management, others within the Township and is not intended to be and should not be used by anyone other than the specified parties.

*Weinlander Fitzhugh*